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Anatomy of a Sale: A Discussion with Fred Philipp

President, Blackwell North America

by Katina Strauch (College of Charleston)

We learned on April 24, 1995, that Blackwell North America (BNAm) had just purchased selected assets of Ballen Booksellers International for an undisclosed sum of money. Here is what Fred Philipp told us.

ATG: Why did Blackwell buy Ballen? What does Ballen have that BNAm didn't have already? Were there competing bids for Ballen or was BNAm's the only one?

FP: Len [Schrift] and Barry [Bernstein] [co-owners of Ballen] contacted me in November of 1994 about BNAm buying Ballen. I have known them both for a long time — more than 20 years — and they are good friends as well as competitors. We responded to their desire to sell. We started discussions in November and it took about six months to complete the sale. There were not any competing bids.

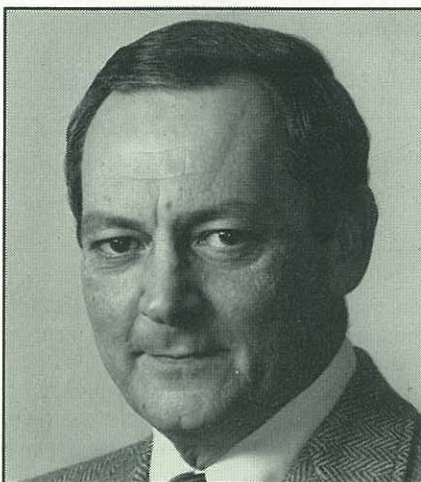
Ballen had about 1,500 active customers, a number of which were shared customers. They have a niche in the medical market that we didn't have, and other than that we were compatible, meaning we sold the same types of books to the same types of customers both domestically and internationally.

ATG: BNAm only bought "selected assets" of Ballen according to the press release. What does this mean? What did BNAm buy and what didn't they buy? What is the reason for this?

FP: I'll give a layman's response because a lawyer would give 14 paragraphs. We bought what Ballen wanted to sell. This was good will, the customer list, open customer orders, contracts that are transferable, the Ballen name, and all the legal ramifications of doing that. The sale also included copyright registrations and some selected plant and equipment, all to be transferred to either Blackwood, New Jersey, or Lake Oswego, Oregon.

ATG: What will happen to the Ballen people (Carl Teresa, Linda Moran, Dave Ungar, to mention only a few) who we all know and love?

FP: The names you mention are out traveling right now converting over the customers from Ballen to BNAm, full speed ahead, five days a week, in conjunction with the



BNAm staff. They will be at MLA, SLA, and ALA. They are still on the Ballen payroll, but BNAm is covering all expenses of the conversion process. Ballen is essentially closing its facility. I believe Len intends to hold some of the key staff for his Informatica business.

ATG: Will you comment on how the transfer of all orders (firm order, standing order, approval plans) will be made? What will happen to payables and receivables

"... the publishers themselves hold the largest market share."

before and after the April 24 sale date?

FP: As a matter of fact, I was sitting here thinking that it is basically all done. We did a computer transfer of all the files.

BNAm is beginning to ship to the Ballen customers already: firm orders, standing orders, new title announcement orders. Our computer people on both sides did a great job in terms of setting up the customer accounts and transferring everything from Ballen to BNAm. We didn't have any problem converting the approval plan profiles. Linda Moran, Charles Wittenberg, and Celia Wagner did it without a hitch. All approval plan accounts are being visited by teams from both Ballen and BNAm this week and over the next two to three weeks. Teams are making 500 calls this month and they will probably run over the next six

weeks. We will have a full complement of people from both Ballen and BNAm at ALA, SLA, and MLA.

This has taken a lot of planning on everybody's part. As an example, Aramco in Houston, Texas, was one of Ballen's major customers. Marcia Romanansky and Carl Teresa spent a lot of time in Houston on the conversion.

ATG: How much did BNAm pay for Ballen? What is the value of Ballen's assets to BNAm?

FP: I have a legal constraint not to divulge the price that we paid for Ballen; we have signed confidentiality agreements.

We came to a very satisfactory arrangement, and the value we place on Ballen's assets is the company's reputation for quality and the similarity of their customer list. As I said earlier, they have over 1,500 active accounts, half domestic and half international.

ATG: Len Schrift has said that technology was a very big factor in the decision of Ballen to sell to BNAm. Would you elaborate on that statement?

FP: One of the advantages that BNAm has that Ballen did not have was the significant investment in technology, specifically Internet access, the NTO database, and the outsourcing services that we offer. It is difficult for a company to make that investment.

ATG: Another reason that has been mentioned for BNAm's acquisition of Ballen is Ballen's international business. Since BNAm is owned by a British company it is already pretty international. Is it the business in a specific country that attracted BNAm?

FP: We do business in 72 countries overseas and Ballen also had an active international business. BNAm has a staff that can take this over nicely. It's a good fit.

ATG: What has been the Ballen customer reaction to this news and how about the reaction of publishers?

FP: Based on one week of customer notification (I know that Len talked to 100 people on the phone last week and sent out 500 letters), the response on a worldwide

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basis has been very positive. Of course, I am not naive enough to think that everybody is happy about this.

We have received calls from the publishing industry. **Barry Bernstein** and **Marcia Romanansky** have been doing a lot of work with publishers. This will ease the burden with publishers in terms of them getting orders from one source instead of two. Publishers like the fact that this will cut their distribution costs.

ATG: *There seems to be a trend for vendors to "specialize" in a particular market especially given the need for advanced technologies. BNA^m is active in many markets (public, academic, special, medical, corporate). Is BNA^m trying to be all things to all people?*

FP: Absolutely not. We specialize in the supply of scholarly material, which takes us to the university and college market to public libraries with their large reference collections.

ATG: *So, what company has BNA^m got its sights set on next?*

FP: It is not our business to find and buy companies. Usually someone ap-

proaches us with a business proposition, but these propositions seldom pan out.

ATG: *Is the vendor world going to be taken over by a few jobbers? And what will this do to competition, libraries' bread and butter.*

FP: That's an interesting question. This acquisition is pretty small compared to others. In *Literary Marketplace* there are almost 900 companies identified as wholesal-

"We specialize in the supply of scholarly material."


ers and distributors and new ones are cropping up all the time. There is still plenty of competition in this business.

And we are quite small compared to some other jobbers in the United States. Our advantage is that we focus on the scholarly market.

ATG: *What companies are BNA^m's major competitors? Ingram? B&T? Yankee? Midwest?*

FP: When you talk about the markets we are in, the publishers themselves hold the largest market share. Of the nearly 900 distributors and wholesalers I mentioned, we have many fine competitors — **Baker & Taylor**, **Midwest**, **Majors**, **Matthews**, **Login** — companies of all sizes.

ATG: *Just one last question. Explain BNA^m. Isn't this a new appellation for Blackwell North America, or am I just dense? How long have you been using it?*

FP: We frequently use BNA^m internally and, on occasion, we let it slip out in a press release. It's a trademark issue. 

Well, isn't that enough? One anecdote: When Barry, Len, Fred, and Gary Nees (BNA^m CFO) went out to celebrate the deal, they went to the Carnegie Deli in good old NYC. They ordered only two sandwiches (pastrami on rye and corned beef on rye) to split between four people, four cans of Dr. Brown's Cream Soda, and two orders of french fries. The bill? \$45! The moral — don't celebrate big time in New York! — KS

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